

## Message Text

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PAGE 01 CAIRO 01684 281929Z  
ACTION SS-25

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FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC PRIORITY 1103

C O N F I D E N T I A L CAIRO 1684

EXDIS

E.O. 11652: GDS  
TAGS: EAID EG  
SUBJ: ASSISTANCE TO EGYPT: IBRD

REF: (A) CAIRO 1572 (B) CAIRO 1510

1. IBRD REP BENJENK CALLED ON AMBASSADOR EVENING OF JAN. 28 TO DISCUSS RESULTS OF HIS FINAL DAY OF MEETINGS WITH GOE OFFICIALS, PRIOR TO DEPARTURE FOR JIDDA, KUWAIT, UAE, BONN, PARIS AND --- EVIDENTLY -- ADDITIONAL STOPS HE DID NOT SPECIFY (STATE 16711).

2. IN COMPANY WITH DEP PM KAISOUNI, BENJENK HAD SESSION WITH PM SALEM EARLIER SAME DAY. (HE THANKED AMBASSADOR FOR HIS ASSISTANCE IN ARRANGING MEETING). ALTHOUGH ORIGINALLY PLANNED AS A SHORT COURTESY CALL, DISCUSSION LASTED FOR FORTY MINUTES IN COURTEOUS, FRIENDLY, AND PRODUCTIVE ATMOSPHERE.

3. BENJENK TOLD PM THAT HE WAS IMPRESSED BY COURAGEOUS EFFORT THAT HAD BEEN MADE DURING DIFFICULT PERIOD TO DEAL WITH SOME OF ECOOMIC PROBLEMS FACING EGYPT. SERIOUS THOUGHT WOULD OBVIOUSLY BE REQUIRED IN CONSIDERING NEXT STEPS TO BE TAKEN, BUT BANK HOPED THAT GOE WOULD CONTINUE TO UNDERTAKE REFORM PROGRAM. IBRD REPS HAD  
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BEEN FULLY AND CAREFULLY BRIEFED BY KAISOUNI AND AGREED WITH HIM THAT AHIGHER LEVEL OF ASSISTANCE WAS PERHAPS REQUIRED, BUT POINTED OUT THAT THE BEST WAY TO OBTAIN SYMPATHETIC HEARING FROM FIRENDS WAS TO SHOW THEM WHAT WAS BEING DONE TO EVENTUALLY REDUCE REQUIREMENT FOR OUTSIDE HELP.

4. IT WAS IN THE CONNECTION THAT BANK HAS BEEN URGING THE PREPARATION OF BASIC DOCUMENTATION IN TIME FOR CONSULTATIVE GROUP (CG) MEETING IN APRIL. IN ADDITION TO THE OUTLINE OF GOALS AND POLICIES THAT HAD BEEN REQUESTED FROM ECONOMIC GROUP, IT WOULD BE OF GREAT IMPORTANCE TO HAVE THE 1977 PLAN, AS WELL AS THE 1976-80 FIVE YEAR PLAN, TO WORK WITH. (KAISOUNI LATER TOLD BENJENK THAT IF MINPLAN EL IMAN DID NOT COMEUP WITH FIVE-YEAR PLAN, HE WOULD BE FIRED; EL IMAN WAS QUOTED AS SAYING THAT NOW THAT HE KNOWS THE GOVERNMENT'S POLICY HE WILL DO IT RIGHT AWAY). BANK RECOGNIZES THAT SOME TRAUMATIC STEPS MAY BE REQUIRED BOTH AS PART OF AN IMF AGREEMENT AND AS SEPARATE GOE ACTION, INCLUDING MAJOR REDUCTION IN SHORT-TERM DEBTS, BUT IT IS THE ONLY WAY TO GET APPROPRIATE HELP. WHAT EGYT CAN EXPECT TO GET OUT OF CG MECHANISM WILL DEPEND TO A VERY LARGE DEGREE ON WHAT SHE IS WILL ING TO PUT INTO IT.

5. SALEM AGREED THAT THERE WERE SERIOUS PROBLEMS WITH WHICH EGYPT HAS TO DEAL, AND SAID HE IS DETERMINED TO DO IT. HE POINTED OUT THAT ALTHOUGH CONSIDERABLE SHARE OF BLAME FOR LACK OF SPEED IN IMPLEMENTING ASSISTANCE PROGRAM WAS FAULT OF EGYPTIANS (MACNAMARA IS REPORTED TO HAVE BLASTED FORMER MINECON SHAFEI AT IBRD CONFERENCE IN MANILA LAST YEAR ON JUST THIS SUBJECT), MANY OF BANK'S OWN PROCEDURES AND ITS CUREAUCRATIC MACHINERY WRE ALSO CONTRIBUTORS TO DIFFICULTY. HE ASKED THAT THEY BE SPEEDED UP.

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6. FOLLOWING SALEM MEETING, BENJENK VISITED PA SPEAKER MAREI, WHOSE OFFICE IS ACCROSS THE STREET FROM PM'S. MAREI ECHOED CONSENSUS OPINION THAT RIOTS SHOULD NOT HAVE HAPPENED, AND THAT REFORM EFFORT SHOULD HAVE BEEN HANDLED WITH GREATER PRUDENCE. (HE SAID "THEY SHOULD HAVE ASKED ME".) COUNTRY IS A TINDER BOX NOW, HOWEVER, AND IT WILL BE DIFFICULT TO MOVE FORWARD ON REFORM. WHAT IS NEEDED, THEREFORE , IS GREATER PRESSURE ON THE ARABS. EGYPT HAS BEEN TOO POLITE IN THE PAST, AND IT IS NOW TIME TO BANG THE TABLE.

7. WHAT IS REQUIRED FROM THEM IS \$4-5 BILLION IN DEPOSITS THAT CAN BE USED AS NEEDED BY GOE. IF ARABS ARE CONCERNED ABOUT OUR CUREAUCRACY AND DO NOT TRUST IT TO USE THE MONEY PROPERLY, MAREI SAID, EGYPT CAN ALWAYS DO WHAT IT DID AFTER THE REVOLUTION: SET UP A COMMITTEE TO MAKE ALL ECONOMIC DECISIONS AND IMPLEMENT THEM, THEREBY SHORT-CIRCUITING THE MINISTRIES. THIS WAS THE WAY THEHIGH DAM WAS BUILT. IF THE ARABS ASK,

WE WILL DO IT, MAREI EVIDENTLY SAID (PERHAPS RECALLING HIS OWN SERVICE ON SUCH A COMMITTEE). MAREI ADDED THAT THE NEED IS URGENT: EGYPT CANNOT WAIT. THE ARABS ALWAYS HAVE SOME EXCUSE (MAREI CITED THE IMF, THE CG, AND NOW THE FRG'S NEW ECONOMIC ADVISOR), BUT THEY MUST BE MADE TO REALIZE THAT THE TIME FOR DELAY IS PAST.

8. IN EARLIER DISCUSSION WITH KAISOUNI, BENJENK WAS AGAIN ASKED NOT TO UNDERCUT EGYPTIANS' EFFORT TO OBTAIN THE MASSIVE AID PACKAGE CONTAINED IN KAISOUNI'S LETTER, BY PUSHING FAR LOWER BOP DEFICIT FIGURE AGREED UPON BY BANK, FUND AND GOE (REFTELS). BENJENK REPLIED THAT NO ONE COULD STOP GOE FROM FLOATING THE REQUEST (ALTHOUGH HE HAD WRITTEN REPLY TO KAISOUNI MAKING CLEAR THAT BANK WOULD NOT CONSIDER IT, BUT HE CONSIDERED IT TO BE A POOR TACTIC. IBRD WOULD NOT OPPOSE IT, OF COURSE, BUT NEITHER COULD IT ESPOUSE IT. BEST THAT COULD BE DONE  
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WOULD BE FOR BANK TO USE AGREED FIGURE AS A FLOOR, BELOW WHICH AID SHOULD NOT FALL, AND LEAVE TO EGYPT HOW MUCH IT WANTED TO ASK FOR. BENJENK REMINDED KAISOUNI THAT THE BIGGER THE AID PACKAGE, THE MORE THE DONORS WOULD EXPECT FROM THE RECIPIENTS IN EXCHANGE.

9. (BENJENK GAVE AMBASSADOR A BRIEF LOOK AT AGREED BOP TABLES THAT HAVE BEEN PREPARED, AND ECONCOUNS TOOK ADVANTAGE OF OPPORTUNITY TO MAKE HURRIED EFFORT TO COPY DOWN 1977 NUMBERS. IT APPEARS WE NOW HAVE A THIRD SET OF DATA FOR THE UNFINANCED GAP, WHICH ARE BEING REPORTED SEPTEL. EGYPT-WATCHERS WILL PROBABLY NOT BE SURPRISED.)

10. COMMENT: BENJENK WAS HIS USUAL URBANE AND RELAXED SELF, AND EVIDENTLY FEELS THAT HIS VISIT HAS BEEN SUCCESSFUL. (WE AGREE.) HE IS HOPEFUL THAT GOE WILL BE ABLE TO ACCOMPLISH THE REQUIRED PAPERWORK BEFORE APRIL, BUT HE EVIDENTLY WILL NOT BE SURPRISED IF THEY DO NOT. HE IS NOT OVERLY SANGUINE ABOUT RESULTS THAT CAN BE EXPECTED AT CG, BUT HE BELIEVES THAT THE MEETING IS PROBABLY NECESSARY AT THIS STAGE.  
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